

mineral, and paid or incurred prior to the beginning of the development stage of the mine or deposit, so much of such expenditures as does not exceed \$75,000. This subsection shall apply only with respect to the amount of such expenditures which, but for this subsection, would not be allowable as a deduction for the taxable year. This subsection shall not apply to expenditures for the acquisition or improvement of property of a character which is subject to the allowance for depreciation provided in section 23 (1), but allowances for depreciation shall be considered, for the purposes of this subsection, as expenditures paid or incurred. In no case shall this subsection apply with respect to amounts paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of oil or gas.

"(2) ELECTION OF TAXPAYER.—If the taxpayer elects, in accordance with regulations prescribed by the Secretary, to treat as deferred expenses any portion of the amount deductible for the taxable year under paragraph (1), such portion shall not be deductible under paragraph (1) but shall be deductible on a ratable basis as the units of produced ores or minerals discovered or explored by reason of such expenditures are sold. An election made under this paragraph for any taxable year shall be binding for such year.

"(3) LIMITATION.—This subsection shall not apply to any amounts paid or incurred in any taxable year if in any four preceding years the taxpayer, or any individual or corporation who has transferred to the taxpayer any mineral property under circumstances which make the provisions of paragraph (7), (8), (11), (13), (15), (17), (20), or (22) of section 113 (a) applicable to such transfer, has either (A) been allowed a deduction under paragraph (1) of this subsection or (B) made the election provided under paragraph (2) of this subsection.

"(4) ADJUSTED BASIS OF MINE OR DEPOSIT.—The amount of expenditures which are treated under paragraph (2) as deferred expenses shall be taken into account in computing the adjusted basis of the mine or deposit, but such amounts, and the adjustments to basis provided in section 113 (b) (1) (M) shall be disregarded in determining the adjusted basis of the property for the purpose of computing a deduction for depletion under section 114."

(b) ADJUSTED BASIS FOR DETERMINING GAIN OR LOSS UPON SALE OR EXCHANGE.—Section 113 (b) (1) (relating to adjusted basis of property) is hereby amended by adding at the end thereof the following:

"(M) for amounts allowed as deductions as deferred expenses under section 23 (ff) (2) (relating to certain exploration expenditures) and resulting in a reduction of the taxpayer's taxes under this chapter, but not less than the amounts allowable under such section for the taxable year and prior years."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after December 31, 1950.

SEC. 343. DEFINITION OF EMPLOYEE.

(a) AMENDMENT OF SECTION 3797 (a).—Section 3797 (a) is amended by adding at the end thereof the following new paragraph:

"(20) EMPLOYEE.—For the purpose of applying the provisions of chapter 1 with respect to contributions to or under a stock bonus, pension, profit-sharing, or annuity plan, and with respect to distributions under such a plan or by a trust forming part of such a plan, the term 'employee' shall include a full-time life insurance salesman who is considered an employee for the purpose

Pub. Law 183

-66-

of subchapter A of chapter 9, or, in the case of services performed before January 1, 1951, who would be considered an employee if his services were performed during 1951."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1938.

SEC. 344. NONBUSINESS CASUALTY LOSSES.

(a) **REMOVAL OF LIMITATION.**—Section 122 (d) (5) (relating to net operating loss deduction) is hereby amended by inserting at the end thereof the following new sentence: "This paragraph shall not apply with respect to deductions allowable for losses sustained after December 31, 1950, in respect of property, if the losses arise from fire, storm, shipwreck, or other casualty, or from theft."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be applicable in computing the net operating loss deduction for taxable years ending after December 31, 1948.

SEC. 345. ABATEMENT OF TAX ON CERTAIN TRUSTS FOR MEMBERS OF ARMED FORCES DYING IN SERVICE.

In the case of a trust which accumulated income for a beneficiary who died on or after December 7, 1941, and before January 1, 1948, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations, there shall be allowed as a deduction in computing the net income of such trust (in addition to other deductions allowable under sections 23 and 162 of the Internal Revenue Code) income of the trust for any taxable year (before diminution for income tax) which was accumulated for such beneficiary if—

(1) the income accumulated was for a taxable year of the trust which ended with or within a taxable year (ending on or after December 7, 1941) of such beneficiary during any part of which he was a member of such military or naval forces, or, in the case of the taxable year of the trust during which such beneficiary died, the income accumulated was for the period in such taxable year prior to the death of such beneficiary; and

(2) the amount of such accumulated income was, without regard to this section, taxable to the trust, and

(3) the income for such taxable year accumulated for the beneficiary, if not distributed to him prior to his death, was payable by the trust at or after his death only to his estate, spouse, or lineal ancestors or descendants.

SEC. 346. LIFE INSURANCE DEPARTMENTS OF MUTUAL SAVINGS BANKS.

(a) **COMPUTATION OF TAX.**—Supplement A of chapter 1 is hereby amended by adding at the end thereof the following new section:

"SEC. 110. MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

"(a) **ALTERNATIVE TAX.**—In the case of a mutual savings bank not having capital stock represented by shares, authorized under State law to engage in the business of issuing life insurance contracts, and which conducts a life insurance business in a separate department the accounts of which are maintained separately from the other accounts of the mutual savings bank, there shall be levied, collected, and paid, in lieu of the taxes imposed by sections 13 and 15, or section 117 (c) (1), a tax consisting of the sum of the partial taxes determined under paragraphs (1) and (2):

"(1) A partial tax computed upon the net income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner as if this section has not been enacted; and

"(2) a partial tax computed upon the net income (as defined in section 201 (c) (7)) of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to such department, at the rates and in the manner provided in Supplement G with respect to life insurance companies.

"(b) LIMITATIONS OF SECTION.—The provisions of subsection (a) shall be applicable only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 201 (b)."

(b) TECHNICAL AMENDMENT.—Section 13 (relating to normal tax on corporations) is hereby amended by adding at the end thereof the following new subsection:

"(f) MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.—For special tax, in lieu of the taxes imposed by this section and section 15, in the case of a mutual savings bank conducting a life insurance business, see section 110."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

SEC. 347. PUBLISHING BUSINESS CARRIED ON BY TAX-EXEMPT ORGANIZATION.

(a) TREATMENT AS RELATED TRADE OR BUSINESS.—Section 422 (b) (relating to definition of unrelated trade or business) is hereby amended by adding at the end thereof the following: "If a publishing business carried on by an organization during a taxable year beginning before January 1, 1953, is, without regard to this sentence, an unrelated trade or business, but before the beginning of the third succeeding taxable year the business is carried on by it (or by a successor who acquired such business in a liquidation which would constitute a tax-free exchange under section 112 (b) (6)) in such manner that the conduct thereof is substantially related to the exercise or performance by such organization (or such successor) of its educational or other purpose or function described in section 101 (6), such publishing business shall not be considered, for the taxable year, as an unrelated trade or business."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1953.

SEC. 348. DEDUCTION WITH RESPECT TO CERTAIN UNRELATED BUSINESS NET INCOME.

(a) UNRELATED BUSINESS NET INCOME.—Section 422 (a) (relating to unrelated business net income) is hereby amended by adding at the end thereof the following: "In the case of an organization described in section 3813 (a) (2) which is a member of a partnership all of whose members are organizations described in section 3813 (a) (2), if a trade or business regularly carried on by such partnership is an unrelated trade or business with respect to such organization, such organization shall, for taxable years beginning before January 1, 1954, be allowed a deduction in an amount equal to the portion of the gross income of such partnership from such unrelated trade or business which such organization is required (by a provision of a written contract executed by

Pub. Law 183

-68-

such organization prior to January 1, 1950, which provision expressly deals with the disposition of the gross income of the partnership) to pay within the taxable year in discharge of indebtedness incurred by such organization in acquiring its share of such trade or business, or to irrevocably set aside within the taxable year for the discharge of such indebtedness (to the extent that such amount has been so paid or set aside) if (i) such partnership was formed prior to January 1, 1950, for the purpose of carrying on such trade or business, and (ii) substantially all the assets used in carrying on such trade or business were acquired by it or by its members prior to such date. As used in the preceding sentence, the word 'indebtedness' does not include indebtedness incurred after January 1, 1950."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1954.

SEC. 349. NONDISTRIBUTABLE INCOME OF PERSONAL HOLDING COMPANIES.

Effective for taxable years beginning after December 31, 1939, section 504 is hereby amended by adding at the end thereof the following new subsection:

"(e) The amount by which the undistributed subchapter A net income determined without reference to this subsection exceeds the amount which could be distributed on the last day of the taxable year as a dividend (1) without violating any action, regulation, rule, order, or proclamation taken, promulgated, made, or issued by, or pursuant to the direction of, the President or any agency that he may designate, under the Trading With the Enemy Act of October 16, 1917, as amended, or the First War Powers Act of 1941, and (2) not subject to a lien in favor of the United States."

TITLE IV—EXCISE TAXES

Part I—Tax on Admissions and Cabarets

SEC. 401. REMOVAL OF TAX ON FREE ADMISSIONS.

Section 1700 (a) (1) (relating to tax on single or season tickets) is hereby amended by striking out the second, fourth, and fifth sentences thereof.

SEC. 402. EXEMPTIONS FROM ADMISSIONS TAX.

(a) **REINSTATEMENT OF PREWAR EXEMPTIONS.**—Notwithstanding section 541 (b) of the Revenue Act of 1941, the provisions of section 1701 (relating to exemptions from the admissions tax) shall apply to amounts paid on or after the effective date specified in section 403 of this Act for admissions on or after such date.

(b) **AMENDMENT OF SECTION 1701 (a) AND (b).**—Subsections (a) and (b) of section 1701 (relating to exemptions from admissions tax) are hereby amended to read as follows:

"(a) **CERTAIN RELIGIOUS, EDUCATIONAL, OR CHARITABLE ENTERTAINMENTS, ETC.**—

"(1) **IN GENERAL.**—Except as provided in paragraph (2), any admissions all the proceeds of which inure—

"(A) exclusively to the benefit of—

"(i) a church or a convention or association of churches;

"(ii) an educational institution which is exempt under section 101 (6) or which is an educational institution of a government or political subdivision thereof, if such organization normally maintains a regular faculty and

curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on;

"(iii) a corporation or any community chest, fund, or foundation organized and operated exclusively for charitable purposes, exempt under section 101 (6), if such corporation or organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions from the general public;

"(iv) a society or organization conducted for the sole purpose of maintaining symphony orchestras or operas and receiving substantial support from voluntary contributions;

"(v) an organization (organized prior to October 1, 1951) which is exempt under section 101 (6) and which is operated for the purpose of conducting an annual chautauqua program of educational, cultural, and religious activities at a permanent location—

if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;

"(B) exclusively to the benefit of National Guard organizations, Reserve officers' associations or organizations, posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private stockholder or individual; or

"(C) exclusively to the benefit of a police or fire department of any city, town, village, or any municipality or exclusively to a retirement, pension, or disability fund for the sole benefit of members of such a police or fire department or to a fund for the heirs of such members.

"(2) NONEXEMPT ADMISSIONS.—The exemption provided under paragraph (1) shall not apply in the case of admissions to (A) any athletic game or exhibition unless the proceeds inure exclusively to the benefit of an elementary or secondary school or unless in the case of an athletic game between two elementary or secondary schools, the entire gross proceeds from such game inure to the benefit of a hospital for crippled children, (B) wrestling matches, prize fights, or boxing, sparring, or other pugilistic matches or exhibitions, (C) carnivals, rodeos, or circuses in which any professional performer or operator participates for compensation, or (D) any motion picture exhibition.

"(b) AGRICULTURAL FAIRS.—Any admissions to agricultural fairs if no part of the net earnings thereof inures to the benefit of any stockholders or members of the association conducting the same—if the proceeds therefrom are used exclusively for the improvement, maintenance, and operation of such agricultural fairs; or".

(c) ADMISSIONS TO MUNICIPAL SWIMMING POOLS, ETC.—Section 1701 is hereby amended by striking out the period at the end of subsection (c) and inserting in lieu thereof "; or" and by adding at the end of such section the following new subsections:

"(d) MUNICIPAL SWIMMING POOLS, ETC.—Any admissions to swimming pools, bathing beaches, skating rinks, or other places providing facilities for physical exercise, operated by any State or political subdivision thereof or by the United States or any agency or instrumentality thereof—if the proceeds therefrom inure exclusively to

the benefit of the State, political subdivision, United States, agency, or instrumentality. For the purposes of this subsection the term 'State' includes Alaska, Hawaii, and the District of Columbia; or

"(e) (1) HOME AND GARDEN TOURS.—Any admission to a home or garden which is temporarily opened to the general public as part of a program conducted by a society or organization to permit the inspection of historical homes and gardens—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual.

"(2) HISTORIC SITES.—Any admissions to historic sites, houses, and shrines, and museums conducted in connection therewith, maintained and operated by a society or organization devoted to the preservation and maintenance of such historic sites, houses, shrines, and museums—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual."

SEC. 403. EFFECTIVE DATE OF AMENDMENTS RELATING TO ADMISSIONS.

The amendments made by sections 401 and 402 shall be applicable with respect to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act for admissions on or after such date.

SEC. 404. TAX ON CABARETS, ROOF GARDENS, ETC.

(a) BALLROOMS AND DANCE HALLS.—Section 1700 (e) (1) (relating to tax on cabarets, roof gardens, etc.) is hereby amended by inserting after the second sentence thereof the following new sentence: "In no case shall such term include any ballroom, dance hall, or other similar place where the serving or selling of food, refreshment, or merchandise is merely incidental, unless such place would be considered, without the application of the preceding sentence, as a 'roof garden, cabaret, or other similar place'."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to periods after 10 antemeridian on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part II—Tax on Cigarettes

SEC. 421. TAX ON CIGARETTES.

(a) INCREASE IN RATE.—Section 2000 (c) (2) (tax on cigarettes) is hereby amended by striking out "\$3.50 per thousand" and inserting in lieu thereof "\$4 per thousand until April 1, 1954, and \$3.50 per thousand on and after April 1, 1954".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 422. FLOOR STOCKS TAX AND FLOOR STOCKS REFUND ON CIGARETTES.

Section 2000 (relating to tax on tobacco, etc.) is hereby amended by adding at the end thereof the following new subsections:

"(f) 1951 FLOOR STOCKS TAX.—

"(1) TAX.—Upon cigarettes subject to tax under this section weighing not more than three pounds per thousand, which on the effective date of section 421 of the Revenue Act of 1951 are held by any person for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at a rate equal to the increase in rate of tax made applicable to such cigarettes by the Revenue Act of 1951.

"(2) RETURNS.—Every person required by this subsection to pay any floor stocks tax shall, on or before the end of the month

next following the month in which section 421 (a) of the Revenue Act of 1951 takes effect, under such regulations as the Secretary shall prescribe, make a return and pay such tax, except that in the case of such cigarettes held by manufacturers and importers, the Secretary may collect the tax with respect to such cigarettes by means of stamps rather than return, and in such case may make an assessment against such manufacturer or importer having cigarette tax stamps on hand on the effective date of such section for the difference between the amount paid for such stamps and the increased rate imposed by such section.

“(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 2000, shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection.

“(g) FLOOR STOCKS REFUNDS ON CIGARETTES.—

“(1) IN GENERAL.—With respect to cigarettes, weighing not more than three pounds per thousand, upon which the tax imposed by subsection (c) (2), or upon which floor stocks tax imposed by subsection (f), has been paid, and which, on April 1, 1954, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on April 1, 1954, if claim for such credit or refund is filed with the Secretary prior to July 1, 1954.

“(2) LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under paragraph (1) unless (A) such person, for such period or periods both before and after April 1, 1954 (but not extending beyond one year thereafter), as the Secretary shall by regulations prescribe, makes and keeps, and files with the Secretary such records of inventories, sales, and purchases as may be prescribed in such regulations; and (B) such person establishes to the satisfaction of the Secretary, with respect to the cigarettes for which credit or refund is claimed by him under this section, that on and after April 1, 1954, and until the expiration of three months thereafter, the price at which cigarettes of such class were sold (until a number equal at least to the number on hand on April 1, 1954, were sold) reflected, in such manner as the Secretary may by regulations prescribe, the amount of the tax reduction.

“(3) PENALTY AND ADMINISTRATIVE PROCEDURES.—All provisions of law, including penalties, applicable in respect of internal revenue taxes on cigarettes shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes.”

SEC. 423. REDUCTION OF TAX ON TOBACCO AND SNUFF.

(a) REDUCTION IN RATE.—Section 2000 (a) (relating to tax on tobacco and snuff) is hereby amended by striking out “18 cents per pound”, wherever it appears therein, and inserting in lieu thereof “10 cents per pound”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Pub. Law 183

- 72 -

Part III—Retailers' Excise Taxes

SEC. 431. RETAILERS' EXCISE TAX ON TOILET PREPARATIONS.

(a) **BABY OILS, ETC.**—Section 2402 (a) is hereby amended by adding at the end thereof the following new sentence: "The tax imposed by this subsection shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the care of babies."

(b) **SALES TO BARBER SHOPS, ETC.**—Section 2402 (b) is hereby amended to read as follows:

"(b) **BEAUTY PARLORS, ETC.**—For the purposes of subsection (a), the sale of any article described in such subsection to any person operating a barber shop, beauty parlor, or similar establishment for use in the operation thereof, or for resale, and the sale of miniature samples of any such article for demonstration use only to a house-to-house salesman by the manufacturer or distributor, shall not be considered as a sale at retail. The resale of such article at retail by such person, or the resale of such sample at retail by such house-to-house salesman, shall be subject to the provisions of subsection (a)."

SEC. 432. EFFECTIVE DATE OF PART III.

The amendments made by this part shall apply only to articles sold on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part IV—Diesel Fuel

SEC. 441. DIESEL FUEL USED IN HIGHWAY VEHICLES.

(a) **IMPOSITION OF TAX.**—The Internal Revenue Code is hereby amended by adding after chapter 19 the following new chapter:

"CHAPTER 20—DIESEL FUEL

"SEC. 2450. TAX ON DIESEL FUEL.

"There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 3412)—

"(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle, or

"(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under clause (1).

On and after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

"SEC. 2451. RETURNS AND PAYMENT.

"(a) **REQUIREMENT.**—Every person liable for tax under this chapter shall make returns and pay the taxes due to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, then to the collector at Baltimore, Maryland. Such returns shall contain such information and be made at such times and in such manner as the Secretary may by regulations prescribe.

"(b) **INTEREST.**—The tax shall, without assessment or notice, be due and payable to the collector at the time prescribed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the time when the tax became due until paid.

"SEC. 2452. CREDITS AND REFUNDS.

"(a) **NON-TAXABLE USE OR SALE BY VENDEE.**—A credit against tax under this chapter, or a refund, may be allowed or made to a person in the amount of tax paid by him under this chapter with respect to his sale of any liquid to a vendee for use as fuel in a diesel-powered highway vehicle, if such person establishes, in accordance with regulations prescribed by the Secretary, that—

"(1) the vendee used such liquid otherwise than as fuel in such a vehicle or resold such liquid, and

"(2) such person has repaid or agreed to repay the amount of such tax to such vendee, or has obtained the consent of the vendee to the allowance of the credit or refund.

No interest shall be allowed with respect to any amount of tax credited or refunded under the provisions of this subsection.

"(b) **PROOF REQUIRED IN CASE OF CERTAIN OVERPAYMENTS.**—No overpayment of tax under this chapter shall be credited or refunded (otherwise than under subsection (a)) in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations prescribed by the Secretary, (1) that he has not included the tax in the price of the article with respect to which it was imposed, or collected the amount of tax from the vendee, or (2) that he has repaid the amount of the tax to the ultimate purchaser of the article, or files with the Secretary written consent of such ultimate purchaser to the allowance of the credit or refund.

"SEC. 2453. TAX-FREE SALES.

"Under regulations prescribed by the Secretary, no tax under this chapter shall be imposed with respect to the sale of any liquid for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or with respect to the use by any of the foregoing of any liquid as fuel in a diesel-powered highway vehicle.

"SEC. 2454. APPLICABILITY OF ADMINISTRATIVE PROVISIONS.

"All provisions of law (including penalties) applicable in respect of the taxes imposed by section 2700 shall, insofar as applicable and not inconsistent with this chapter, be applicable in respect of the taxes imposed by this chapter.

"SEC. 2455. RULES AND REGULATIONS.

"The Secretary shall prescribe and publish all needful rules and regulations for the enforcement of this chapter."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part V—Liquor

SEC. 451. INCREASE IN TAX ON DISTILLED SPIRITS FROM \$9 TO \$10.50 PER GALLON.

(a) **DISTILLED SPIRITS GENERALLY.**—Section 2800 (a) (1) is hereby amended by striking out "\$6" and inserting in lieu thereof "\$10.50", and by inserting after the first sentence the following new sentence: "On and after April 1, 1954, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50."

(b) **IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.**—Section 2800 (a) (3) is hereby amended by striking out "\$6" and inserting in lieu thereof "\$10.50", and by adding at the end thereof the following new sentence: "On and after April 1, 1954, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50."

Pub. Law 183

- 74 -

(c) FLOOR STOCKS TAX.—Section 2800 is amended by inserting at the end thereof the following new subsection:

“(1) 1951 FLOOR STOCKS TAX.—

“(1) TAX.—Upon all distilled spirits upon which the internal revenue tax imposed by law has been paid, and which on the effective date of section 451 (a) of the Revenue Act of 1951, are held and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax of \$1.50 on each proof-gallon, and a proportionate tax at a like rate on all fractional parts of such proof-gallon.

“(2) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 451 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of such section upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

“(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the floor stocks tax imposed hereunder. For the purposes of this subsection the term ‘distilled spirits’ shall include products produced in such manner that the person producing them is a rectifier within the meaning of section 3254 (g).”

SEC. 452. WINES.

(a) INCREASE IN RATE OF TAX.—

(1) STILL WINES.—So much of section 3030 (a) (1) (A) (tax on still wines, etc.) as precedes the second sentence thereof is hereby amended to read as follows:

“(A) Imposition.—Upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, produced in or imported into the United States on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date were on any winery premises or other bonded premises or in transit thereto or at any custom house, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

“On wines containing not more than 14 per centum of absolute alcohol, 17 cents per wine-gallon, the per centum of alcohol under this section to be reckoned by volume and not by weight, except that on and after April 1, 1954, the rate shall be 15 cents per wine-gallon;

“On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 67 cents per wine-gallon, except that on and after April 1, 1954, the rate shall be 60 cents per wine-gallon;

“On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, \$2.25 per wine-gallon, except that on and after April 1, 1954, the rate shall be \$2 per wine-gallon;

"All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly."

(2) SPARKLING WINES, LIQUEURS, AND CORDIALS.—Section 3030

(a) (2) (tax on sparkling wines, liqueurs, and cordials) is hereby amended as follows:

(A) By striking out "after June 30, 1940, or which on July 1, 1940" and inserting in lieu thereof "on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date";

(B) by striking out "10 cents on each one-half pint or fraction thereof" and inserting in lieu thereof "17 cents on each one-half pint or fraction thereof, except that on and after April 1, 1954, the rate shall be 15 cents on each one-half pint or fraction thereof"; and

(C) by striking out "5 cents on each one-half pint or fraction thereof" each place that it occurs and inserting in lieu thereof "12 cents on each one-half pint or fraction thereof, except that on and after April 1, 1954, the rate shall be 10 cents on each one-half pint or fraction thereof".

(b) FLOOR STOCKS.—Subchapter F of chapter 26 is hereby amended by inserting at the end thereof the following new section:

"SEC. 3195. 1951 FLOOR STOCKS TAX ON WINES.

"(a) Upon all wines upon which the internal revenue tax imposed by law has been paid, and which on the effective date of section 452 (a) of the Revenue Act of 1951 are held and intended for sale or for use in the manufacture or production of an article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at rates equal to the increases in rates of tax made applicable to such articles by section 452 (a) of the Revenue Act of 1951.

"(b) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by subsection (a) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 452 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of section 452 (a) of the Revenue Act of 1951, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

"(c) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 3030 (a) shall, insofar as applicable and not inconsistent with this section, be applicable with respect to the floor stocks tax imposed by subsection (a)."

SEC. 453. FERMENTED MALT LIQUOR.

(a) INCREASE IN TAX ON FERMENTED MALT LIQUORS FROM \$8 TO \$9 PER BARREL.—Section 3150 (a) (tax on fermented malt liquors) is hereby amended (1) by striking out "\$7" and inserting in lieu thereof "\$9", and (2) by striking out the second sentence and inserting in lieu thereof the following: "On and after April 1, 1954, the tax imposed by the preceding sentence shall be at the rate of \$8 in lieu of \$9."

(b) FLOOR STOCKS TAX.—Section 3150 is hereby amended by inserting at the end thereof the following new subsection:

"(g) 1951 FLOOR STOCKS TAX.—

"(1) TAX.—Upon all fermented malt liquors upon which the internal revenue tax imposed by law has been paid, and which

on the effective date of section 453 (a) of the Revenue Act of 1951 are held by any person and intended for sale there shall be levied, assessed, collected, and paid a floor stocks tax at a rate of \$1 per barrel of 31 gallons.

"(2) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 453 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of section 453 (a) of the Revenue Act of 1951, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

"(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by subsection (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection."

SEC. 454. FLOOR STOCKS REFUNDS.

(a) AMENDMENT OF SECTION 1656 (a).—Section 1656 (a) (relating to floor stocks refunds on distilled spirits, etc.) is amended to read as follows:

"(a) IN GENERAL.—With respect to any article upon which tax is imposed under section 2800 (a), 3030 (a), or 3150 (a), upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed by such section has been paid, and which, on April 1, 1954, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the rate made applicable to such articles on and after April 1, 1954, by such section, if claim for such credit or refund is filed with the Secretary prior to May 1, 1954."

(b) AMENDMENT OF SECTION 1656 (b).—Section 1656 (b) (relating to limitations on eligibility for floor stocks refunds on distilled spirits, etc.) is amended by striking out "the rate reduction date" wherever it appears therein and inserting in lieu thereof "April 1, 1954".

SEC. 455. CLERICAL AMENDMENT.

The table contained in section 1650 (relating to the war tax rates of certain miscellaneous taxes) is hereby amended by striking out the following:

2800 (a) (1).....	Distilled Spirits.....	\$6 per gallon.....	\$0 per gallon.
2800 (a) (3).....	Imported Perfumes Containing Distilled Spirits.....	\$8 per gallon.....	\$0 per gallon.
3030 (a) (1).....	Still Wines:		
	(1) Not over 14% of Alcohol.....	10 cents per gallon.....	15 cents per gallon.
	(2) Over 14% and not over 21% of Alcohol.....	40 cents per gallon.....	60 cents per gallon.
	(3) Over 21% and not over 24% of Alcohol.....	\$1 per gallon.....	\$2 per gallon.
3030 (a) (2).....	Sparkling Wines, Liqueurs, and Cordials:		
	(1) Champagne or Sparkling Wine.....	10 cents per half-pint or fraction thereof.....	15 cents per half-pint or fraction thereof.
	(2) Artificially Carbonated Wine.....	5 cents per half-pint or fraction thereof.....	10 cents per half-pint or fraction thereof.
	(3) Liqueurs, Cordials, Etc.....	5 cents per half-pint or fraction thereof.....	10 cents per half-pint or fraction thereof.
3150.....	Fermented Malt Liquors.....	\$7 per barrel.....	\$8 per barrel."

SEC. 456. EFFECTIVE DATE OF PART V.

The amendments made by this part shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

Part VI—Occupational Taxes

SEC. 461. DEALERS IN LIQUORS.

(a) **WHOLESALE DEALERS IN LIQUORS.**—Section 3250 (a) (1) (relating to occupational tax on wholesale dealers in liquors) is hereby amended by striking out “\$140” and inserting in lieu thereof “\$200”.

(b) **RETAIL DEALERS IN LIQUORS.**—Section 3250 (b) (1) (relating to occupational tax on retail dealers in liquors) is hereby amended by striking out “\$27.50” and inserting in lieu thereof “\$50”.

(c) **WHOLESALE DEALERS IN MALT LIQUORS.**—Section 3250 (d) (1) (relating to tax on wholesale dealers in malt liquors) is hereby amended by striking out “\$55” and inserting in lieu thereof “\$100”.

SEC. 462. DRAWBACK IN THE CASE OF DISTILLED SPIRITS USED IN THE MANUFACTURE OF CERTAIN NONBEVERAGE PRODUCTS.

(a) **DRAWBACK.**—Section 3250 (1) (5) (relating to manufacturers or producers of designated nonbeverage products) is amended to read as follows:

“(5) **DRAWBACK.**—In the case of distilled spirits tax-paid and used as provided in this subsection, a drawback shall be allowed—

“(A) at the rate of \$6 on each proof gallon upon which tax is paid at a rate of \$9 per proof gallon prior to the effective date of section 462 of the Revenue Act of 1951,

“(B) at the rate of \$9.50 on each proof gallon upon which tax is paid at a rate of \$10.50 per proof gallon on and after the effective date of section 462 of the Revenue Act of 1951, and

“(C) at the rate of \$8 on each proof gallon upon which tax is paid at a rate of \$9 per proof gallon after March 31, 1954. Such drawback shall be due and payable quarterly upon filing of a proper claim with the Secretary. No claim under this subsection shall be allowed unless filed with the Secretary within the three months next succeeding the quarter for which the drawback is claimed.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be applicable only with respect to distilled spirits used on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

SEC. 463. TAX ON COIN-OPERATED GAMING DEVICES.

Section 3267 (a) (tax on coin-operated gaming devices) is hereby amended by striking out “\$150” wherever appearing therein and inserting in lieu thereof “\$250”.

SEC. 464. EFFECTIVE DATE OF PART VI.

The amendments made by sections 461 and 463 shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act. In the case of the year beginning July 1, 1951, where the trade or business on which the tax is imposed was commenced prior to the first day of the month specified in the preceding sentence, the increase in tax resulting from such amendments shall be reckoned proportionately from the first day of such month to and including the thirtieth day of June following and shall be due on, and payable on or before, the last day of the month specified in the preceding sentence.

Pub. Law 183

- 78 -

Part VII—Wagering

SEC. 471. WAGERING TAXES.

(a) IMPOSITION OF TAXES.—Subtitle B (relating to miscellaneous taxes) is hereby amended by inserting after chapter 27 the following new chapter:

“CHAPTER 27A—WAGERING TAXES

“Subchapter A—Tax on Wagers

“SEC. 3285. TAX.

“(a) WAGERS.—There shall be imposed on wagers, as defined in subsection (b), an excise tax equal to 10 per centum of the amount thereof.

“(b) DEFINITIONS.—For the purposes of this chapter—

“(1) The term ‘wager’ means (A) any wager with respect to a sports event or a contest placed with a person engaged in the business of accepting such wagers, (B) any wager placed in a wagering pool with respect to a sports event or a contest, if such pool is conducted for profit, and (C) any wager placed in a lottery conducted for profit.

“(2) The term ‘lottery’ includes the numbers game, policy, and similar types of wagering. The term does not include (A) any game of a type in which usually (i) the wagers are placed, (ii) the winners are determined, and (iii) the distribution of prizes or other property is made, in the presence of all persons placing wagers in such game, and (B) any drawing conducted by an organization exempt from tax under section 101, if no part of the net proceeds derived from such drawing inures to the benefit of any private shareholder or individual.

“(c) AMOUNT OF WAGER.—In determining the amount of any wager for the purposes of this subchapter, all charges incident to the placing of such wager shall be included; except that if the taxpayer establishes, in accordance with regulations prescribed by the Secretary, that an amount equal to the tax imposed by this subchapter has been collected as a separate charge from the person placing such wager, the amount so collected shall be excluded.

“(d) PERSONS LIABLE FOR TAX.—Each person who is engaged in the business of accepting wagers shall be liable for and shall pay the tax under this subchapter on all wagers placed with him. Each person who conducts any wagering pool or lottery shall be liable for and shall pay the tax under this subchapter on all wagers placed in such pool or lottery.

“(e) EXCLUSIONS FROM TAX.—No tax shall be imposed by this subchapter (1) on any wager placed with, or on any wager placed in a wagering pool conducted by, a parimutuel wagering enterprise licensed under State law, and (2) on any wager placed in a coin-operated device with respect to which an occupational tax is imposed by section 3267.

“(f) TERRITORIAL EXTENT.—The tax imposed by this subchapter shall apply only to wagers (1) accepted in the United States, or (2) placed by a person who is in the United States (A) with a person who is a citizen or resident of the United States, or (B) in a wagering pool or lottery conducted by a person who is a citizen or resident of the United States.

“SEC. 3286. CREDITS AND REFUNDS.

“(a) No overpayment of tax under this subchapter shall be credited or refunded (otherwise than under subsection (b)), in pursuance of a court decision or otherwise, unless the person who paid the tax

establishes, in accordance with regulations prescribed by the Secretary, (1) that he has not collected (whether as a separate charge or otherwise) the amount of the tax from the person who placed the wager on which the tax was imposed, or (2) that he has repaid the amount of the tax to the person who placed such wager, or unless he files with the Secretary written consent of the person who placed such wager to the allowance of the credit or the making of the refund. In the case of any laid-off wager, no overpayment of tax under this subchapter shall be so credited or refunded to the person with whom such laid-off wager was placed unless he establishes, in accordance with regulations prescribed by the Secretary, that the provisions of the preceding sentence have been complied with both with respect to the person who placed the laid-off wager with him and with respect to the person who placed the original wager.

"(b) Where any taxpayer lays off part or all of a wager with another person who is liable for tax under this subchapter on the amount so laid off, a credit against the tax imposed by this subchapter shall be allowed, or a refund shall be made to, the taxpayer laying off such amount. Such credit or refund shall be in an amount which bears the same ratio to the amount of tax which such taxpayer paid under this subchapter on the original wager as the amount so laid off bears to the amount of the original wager. Credit or refund under this subsection shall be allowed or made only in accordance with regulations prescribed by the Secretary; and no interest shall be allowed with respect to any amount so credited or refunded.

"SEC. 3287. CERTAIN PROVISIONS MADE APPLICABLE.

"All provisions of law, including penalties, applicable with respect to any tax imposed by section 2700 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax imposed by this subchapter. In addition to all other records required pursuant to section 2709, each person liable for tax under this subchapter shall keep a daily record showing the gross amount of all wagers on which he is so liable.

"Subchapter B—Occupational Tax

"SEC. 3290. TAX.

"A special tax of \$50 per year shall be paid by each person who is liable for tax under subchapter A or who is engaged in receiving wagers for or on behalf of any person so liable.

"SEC. 3291. REGISTRATION.

"(a) Each person required to pay a special tax under this subchapter shall register with the collector of the district—

"(1) his name and place of residence;

"(2) if he is liable for tax under subchapter A, each place of business where the activity which makes him so liable is carried on, and the name and place of residence of each person who is engaged in receiving wagers for him or on his behalf; and

"(3) if he is engaged in receiving wagers for or on behalf of any person liable for tax under subchapter A, the name and place of residence of each such person.

"(b) Where subsection (a) requires the name and place of residence of a firm or company to be registered, the names and places of residence of the several persons constituting the firm or company shall be registered.

"(c) In accordance with regulations prescribed by the Secretary, the collector may require from time to time such supplemental informa-

Pub. Law 183

-80-

tion from any person required to register under this section as may be needful to the enforcement of this chapter.

"SEC. 3292. CERTAIN PROVISIONS MADE APPLICABLE.

"Sections 3271, 3273 (a), 3275, 3276, 3277, 3279, and 3280 shall extend to and apply to the special tax imposed by this subchapter and to the persons upon whom it is imposed, and for that purpose any activity which makes a person liable for special tax under this subchapter shall be considered to be a business or occupation described in chapter 27. No other provision of subchapter B of chapter 27 shall so extend or apply.

"SEC. 3293. POSTING.

"Every person liable for special tax under this subchapter shall place and keep conspicuously in his principal place of business the stamp denoting the payment of such special tax; except that if he has no such place of business, he shall keep such stamp on his person, and exhibit it, upon request, to any officer or employee of the Bureau of Internal Revenue.

"SEC. 3294. PENALTIES.

"(a) **FAILURE TO PAY TAX.**—Any person who does any act which makes him liable for special tax under this subchapter, without having paid such tax, shall, besides being liable to the payment of the tax, be fined not less than \$1,000 and not more than \$5,000.

"(b) **FAILURE TO POST OR EXHIBIT STAMP.**—Any person who, through negligence, fails to comply with section 3293, shall be liable to a penalty of \$50, and the cost of prosecution. Any person who, through willful neglect or refusal, fails to comply with section 3293, shall be liable to a penalty of \$100, and the cost of prosecution.

"(c) **WILLFUL VIOLATIONS.**—The penalties prescribed by section 2707 with respect to the tax imposed by section 2700 shall apply with respect to the tax imposed by this subchapter.

"Subchapter C—Miscellaneous Provisions

"SEC. 3297. APPLICABILITY OF FEDERAL AND STATE LAWS.

"The payment of any tax imposed by this chapter with respect to any activity shall not exempt any person from any penalty provided by a law of the United States or of any State for engaging in the same activity, nor shall the payment of any such tax prohibit any State from placing a tax on the same activity for State or other purposes.

"SEC. 3298. INSPECTION OF BOOKS.

"Notwithstanding section 3631, the books of account of any person liable for tax under this chapter may be examined and inspected as frequently as may be needful to the enforcement of this chapter."

(b) **TECHNICAL AMENDMENT.**—Section 3310 (f) (relating to discretion allowed the Commissioner with respect to returns and payment of tax) is hereby amended by inserting after "subchapter A of chapter 25," the following: "subchapter A of chapter 27A,".

SEC. 472. EFFECTIVE DATE OF PART VII.

The tax imposed by subchapter A of chapter 27A, as added by section 471, shall apply only with respect to wagers placed on or after the first day of the first month which begins more than 10 days after the date of enactment of this Act. No tax shall be payable under subchapter B of chapter 27A, as added by section 471, with respect to any period prior to the first day of the first month which begins more than 10 days after the date of enactment of this Act. In the case of

any person who is liable for tax under subchapter A of chapter 27A, as added by section 471, or who is engaged in receiving wagers for or on behalf of any person so liable, and who commenced the activity which makes him subject to such tax, or who was engaged in receiving such wagers, prior to the first day of the first month specified in the preceding sentence, the tax under subchapter B of chapter 27A, as added by section 471, shall be reckoned proportionately from the first day of such month to and including the thirtieth day of June following and shall be due on, and payable on or before, the last day of the month specified in the preceding sentence.

Part VIII—Manufacturers' Excise Taxes

SEC. 481. AUTOMOBILES, TRUCKS, AND PARTS OR ACCESSORIES.

(a) INCREASE IN TAX ON TRUCKS.—Section 3403 (a) (tax on trucks, busses, etc.) is hereby amended by striking out "5 per centum" and inserting in lieu thereof "8 per centum, except that on and after April 1, 1954, the rate shall be 5 per centum".

(b) INCREASE IN TAX ON PASSENGER AUTOMOBILES AND MOTORCYCLES.—Section 3403 (b) (tax on automobile chassis and bodies, etc.) is hereby amended to read as follows:

"(b) OTHER CHASSIS AND BODIES, ETC.—Other automobile chassis and bodies, chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles, and motorcycles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof), except tractors, 10 per centum, except that on and after April 1, 1954, the rate shall be 7 per centum. A sale of an automobile, trailer, or semitrailer shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body."

(c) INCREASE IN TAX ON PARTS OR ACCESSORIES.—Section 3403 (c) (tax on parts or accessories for automobiles, etc.) is hereby amended by striking out "5 per centum" and inserting in lieu thereof "8 per centum, except that on and after April 1, 1954, the rate shall be 5 per centum".

(d) REBUILT PARTS OR ACCESSORIES.—Section 3403 (c) (tax on parts or accessories) is hereby amended by adding at the end thereof the following: "In determining the sale price of a rebuilt automobile part or accessory there shall be excluded from the price, in accordance with regulations prescribed by the Secretary, the value of a like part or accessory accepted in exchange."

(e) TECHNICAL AMENDMENT.—Section 3403 (e) (relating to certain credits against the tax imposed by section 3403) is hereby amended by striking out "in the case of an article taxable under subsection (a), 5 per centum, and in the case of an article taxable under subsection (b), 7 per centum" and inserting in lieu thereof "in the case of an article taxable under subsection (a) or subsection (b), the applicable percentage rate of tax provided in such subsections".

(f) PARTS OR ACCESSORIES FOR FARM EQUIPMENT.—Section 3443 (a) (3) (A) is hereby amended by striking out the period at the end of clause (v) and inserting in lieu thereof a semicolon, and by inserting after clause (v) the following:

"(vi) in the case of articles taxable under section 3403 (c) (other than spark plugs, storage batteries, leaf springs, coils, timers, and tire chains), used or resold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under subsection (a) or (b) of section 3403);".

(g) EFFECTIVE DATE OF SUBSECTION (f).—The amendment made by subsection (f) shall be effective with respect to articles purchased (by

the user thereof) on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

(h) **REMOVAL OF TAX ON TIRES FOR TOYS, ETC.**—Paragraph (1) of section 3400 (a) (relating to tax on tires) is hereby amended by adding at the end thereof the following: "The tax imposed by this paragraph shall not apply to (A) tires which are not more than 20 inches in diameter and not more than one and three-fourths inches in cross-section, if such tires are of all-rubber construction (whether hollow center or solid) without fabric or metal reinforcement, or (B) tires of extruded tiring with internal wire fastening agent."

SEC. 482. NAVIGATION RECEIVERS SOLD TO THE UNITED STATES.

(a) **EXEMPTION ON SALES TO UNITED STATES OF CERTAIN RADIO SETS.**—Section 3404 (a) (relating to manufacturers' excise tax on radio receiving sets, etc.) is hereby amended by adding at the end thereof the following new sentence: "No tax shall be imposed under this subsection with respect to the sale to the United States for its exclusive use of a communication, detection, or navigation receiver of the type used in commercial, military, or marine installations."

(b) **TAX-FREE SALES OF RADIO PARTS.**—Section 3404 (b) (relating to manufacturers' excise tax on component parts of radio receiving sets, etc.) is hereby amended by adding at the end thereof the following new sentence: "Under regulations prescribed by the Secretary, no tax shall be imposed under this subsection with respect to the sale of any article for use by the vendee as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers are to be sold by the vendee to the United States for its exclusive use. If any article sold tax-free to such vendee is not so used by him, or being so used the receiver is not so sold, the vendee shall be considered as the manufacturer or producer of such article."

(c) **REFUND IN CASE OF USE OF PARTS.**—Section 3443 (a) (1) (relating to credits and refunds) is hereby amended to read as follows: "(1) to a manufacturer or producer, in the amount of any tax under this chapter which has been paid with respect to the sale of—

"(A) any article (other than a tire, inner tube, or automobile radio or television receiving set taxable under section 3404) purchased by him and used by him as material in the manufacture or production of, or as a component part of, an article with respect to which tax under this chapter has been paid, or which has been sold free of tax by virtue of section 3442, relating to tax-free sales;

"(B) any article described in section 3404 (b) purchased by him and used by him as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers have been sold by him to the United States for its exclusive use."

(d) **REFUND IN CASE OF RESALE TO UNITED STATES.**—Section 3443 (a) (3) (A) is hereby amended by adding at the end thereof the following:

"(vii) in the case of a communication, detection, or navigation receiver of the type used in commercial, military, or marine installations, resold to the United States for its exclusive use."

(e) **USE BY MANUFACTURER OF TAXABLE PARTS.**—Section 3444 (b) (relating to tax on use by manufacturer of taxable articles) is hereby amended to read as follows:

“(b) This section shall not apply with respect to the use by the manufacturer, producer, or importer of articles described in section 3404 (b) if such articles are used by him as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers are to be sold to the United States for its exclusive use.”

(f) **EFFECTIVE DATES.**—The amendments made by subsections (a) and (b) shall take effect as provided in section 490. The amendments made by subsections (c) and (e) shall be applicable with respect to articles used in receivers sold to the United States on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act, and the amendment made by subsection (d) shall be applicable with respect to articles resold to the United States on or after such first day.

SEC. 483. TAX-FREE SALES OF REFRIGERATOR COMPONENTS TO WHOLESALESALE FOR RESALE TO MANUFACTURERS.

Section 3405 (b) is hereby amended by inserting “(hereinafter referred to as ‘refrigerating equipment’)” before the period at the end of the first sentence and by striking out the second and third sentences and inserting in lieu thereof the following: “Under regulations prescribed by the Secretary, the tax under this subsection shall not apply in the case of sales of any such refrigerator components by the manufacturer, producer, or importer to (1) a manufacturer or producer of refrigerating equipment, or (2) a vendee for resale to a manufacturer or producer of refrigerating equipment if such components are in due course so resold. If any such refrigerator components are resold by the manufacturer or producer to whom sold or resold otherwise than on or in connection with, or with the sale of, complete refrigerating equipment manufactured or produced by him, then for the purposes of this section such manufacturer or producer shall be considered the manufacturer or producer of the refrigerator components so resold by him.”

SEC. 484. SPORTING GOODS.

Section 3406 (a) (1) (relating to manufacturers' excise tax on sporting goods) is hereby amended to read as follows:

“(1) **SPORTING GOODS.**—Badminton nets; badminton rackets (measuring 22 inches over all or more in length); badminton racket frames (measuring 22 inches over all or more in length); badminton racket string; badminton shuttlecocks; badminton standards; billiard and pool tables (measuring 45 inches over all or more in length); billiard and pool balls and cues for such tables; bowling balls and pins; clay pigeons and traps for throwing clay pigeons; cricket balls; cricket bats; croquet balls and mallets; curling stones; deck tennis rings, nets, and posts; golf bags (measuring 26 inches or more in length); golf balls; golf clubs (measuring 30 inches or more in length); lacrosse balls; lacrosse sticks; polo balls; polo mallets; skis; ski poles; snowshoes; snow toboggans and sleds (measuring more than 60 inches over all in length); squash balls; squash rackets (measuring 22 inches over all or more in length); squash racket frames (measuring 22 inches over all or more in length); squash racket string; table tennis tables, balls, nets, and paddles; tennis balls; tennis nets; tennis rackets (measuring 22 inches over all or more in length); tennis

Pub. Law 183

-84-

racket frames (measuring 22 inches over all or more in length); tennis racket string; 15 per centum, except that on and after April 1, 1954, the rate shall be 10 per centum; fishing rods, creels, reels, and artificial lures, baits, and flies; 10 per centum."

SEC. 485. ELECTRIC, GAS, AND OIL APPLIANCES.

Section 3406 (a) (3) (relating to manufacturers' excise tax on electric, gas, and oil appliances) is hereby amended (1) by striking out "Electric direct motor-driven fans and air circulators;" and inserting in lieu thereof "Electric direct motor-driven fans and air circulators (not of the industrial type); and the following appliances of the household type:"; (2) by striking out "electric heating pads and blankets" and inserting in lieu thereof "electric blankets, sheets, and spreads", and (3) by inserting after "juicers;" the following: "electric belt-driven fans; electric exhaust blowers; electric or gas clothes driers; electric door chimes; electric dehumidifiers; electric dishwashers; electric floor polishers and waxers; electric food choppers and grinders; electric hedge trimmers; electric ice cream freezers; electric mangles; electric motion or still picture projectors; electric pants pressers; electric garbage disposal units; and power lawn mowers;".

SEC. 486. ADJUSTMENTS OF TAX RATES ON PHOTOGRAPHIC APPARATUS AND FILM; REPEAL OF TAX ON CERTAIN ITEMS.

(a) **ITEMS SUBJECT TO TAX.**—Section 3406 (a) (4) (relating to the manufacturers' excise tax on photographic apparatus) is hereby amended to read as follows:

"(4) **PHOTOGRAPHIC APPARATUS.**—Cameras and camera lenses, and unexposed photographic film in rolls (including motion picture film), 20 per centum. The tax imposed under this paragraph shall not apply to X-ray cameras, to cameras weighing more than four pounds exclusive of lens and accessories, to still camera lenses having a focal length of more than one hundred and twenty millimeters, to motion picture camera lenses having a focal length of more than thirty millimeters, to X-ray film, to film more than one hundred and fifty feet in length, or to film more than twenty-five feet in length and more than thirty millimeters in width. Any person who acquires unexposed photographic film not subject to tax under this paragraph and sells such unexposed film in form and dimensions subject to tax hereunder (or in connection with a sale cuts such film to form and dimensions subject to tax hereunder) shall for the purposes of this subsection be considered the manufacturer of the film so sold by him."

(b) **FLOOR STOCKS REFUNDS ON BULBS.**—

(1) With respect to any photo-flash or other bulb upon which the tax imposed under section 3406 (a) (4) of the Internal Revenue Code has been paid, and which on the effective date specified in section 489 of this Act is held by any person and intended for sale, or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to the manufacturer or producer of such bulb (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to so much of the tax so paid as has been paid by such manufacturer or producer to such person as reimbursement for the elimination on such effective date of the tax on such bulb, if claim for such credit or refund is filed with the Secretary prior to the expiration of three months after such effective date. No credit or refund shall be allowable under this paragraph for any bulb held by any person for sale which was purchased by such person as a component part of any other article.

(2) No person shall be entitled to credit or refund under paragraph (1) unless he has in his possession such evidence of the inventories with respect to which he has made the reimbursements described in paragraph (1) as the regulations under paragraph (1) shall prescribe.

(3) All provisions of law, including penalties, applicable with respect to the tax imposed under section 3406 (a) (4) of the Internal Revenue Code shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

SEC. 487. IMPOSITION OF TAX ON MECHANICAL PENCILS, FOUNTAIN AND BALL POINT PENS, AND MECHANICAL LIGHTERS FOR CIGARETTES, CIGARS, AND PIPES.

Chapter 29 (relating to manufacturers' excise and import taxes) is hereby amended by adding after section 3407 the following new section:

"SEC. 3408. TAX ON MECHANICAL PENCILS, FOUNTAIN AND BALL POINT PENS, AND MECHANICAL LIGHTERS FOR CIGARETTES, CIGARS, AND PIPES.

"(a) **IMPOSITION OF TAX.**—There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax equal to 15 per centum of the price for which so sold: Mechanical pencils, fountain pens, and ball point pens; mechanical lighters for cigarettes, cigars, and pipes.

"(b) **EXEMPTION IF ARTICLE TAXABLE AS JEWELRY.**—No tax shall be imposed under this section on any article taxable under section 2400 (relating to jewelry tax). If any article, on the sale of which tax has been paid under this section, is further manufactured or processed resulting in an article taxable under section 2400, the person who sells such article at retail shall, in the computation of the retailers' excise tax due on such sale, be entitled to a credit or refund in an amount equal to the tax paid under this section."

SEC. 488. REPEAL OF TAX ON ELECTRICAL ENERGY.

(a) **REPEAL OF TAX.**—Section 3411 (relating to tax on electrical energy for domestic or commercial consumption), and sections 3441 (d) and 3447 (c) (related provisions), are hereby repealed.

(b) **EFFECTIVE DATE.**—

(1) Except as provided in paragraph (2), the provisions of subsection (a) shall apply to electrical energy sold on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

(2) In the case of electrical energy sold which is billed to the customer for a period beginning before the effective date specified in paragraph (1) and ending on or after such date, the provisions of subsection (a) shall apply to that portion of the amount billed for the electrical energy sold during such period which the number of days in such period on and after such effective date bears to the total number of days in such period. This section shall not apply to electrical energy sold before such effective date for which a bill was rendered prior to such date.

SEC. 489. TAX ON GASOLINE.

(a) **INCREASE IN RATE.**—Section 3412 (a) is hereby amended by striking out "1½ cents" and inserting in lieu thereof "2 cents" and by adding at the end thereof the following new sentence: "On and

Pub. Law 183

-86-

after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon."

(b) FLOOR STOCKS TAX AND REFUND.—Section 3412 is hereby amended by adding at the end thereof the following new subsections:

"(f) 1951 FLOOR STOCKS TAX.—On gasoline subject to tax under this section which, on the effective date of section 489 (a) of the Revenue Act of 1951, is held and intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at the rate of ½ cent per gallon. The tax shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline. The provisions of section 3443 shall be applicable to the floor stocks tax imposed by this subsection so as to entitle, subject to all the provisions of such section, (1) any manufacturer or producer to a refund or credit of such tax under subsection (a) (1) of such section, and (2) any person paying such floor stocks tax to a refund or credit thereof where gasoline is by such person or any other person used or resold for any of the purposes specified in subparagraphs (A) (i), (ii), and (iii) of subsection (a) (3) of such section.

"(g) FLOOR STOCKS REFUNDS ON GASOLINE.—

"(1) IN GENERAL.—With respect to any gasoline taxable under this section, upon which tax (including floor stocks tax) at the applicable rate has been paid, and which, on April 1, 1954, is held and intended for sale by any person, there shall be credited or refunded (without interest) to the producer or importer who paid the tax, subject to such regulations as may be prescribed by the Secretary, an amount equal to so much of the difference between the tax so paid and the amount of tax made applicable to such gasoline on and after April 1, 1954, as has been paid by such producer or importer to such person as reimbursement for the tax reduction on such gasoline, if claim for such credit or refund is filed with the Secretary prior to July 1, 1954. No credit or refund shall be allowable under this subsection with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

"(2) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No producer or importer shall be entitled to a credit or refund under paragraph (1) unless he has in his possession satisfactory evidence of the inventories with respect to which he has made the reimbursements described in such paragraph, and establishes to the satisfaction of the Secretary with respect to the quantity of gasoline as to which credit or refund is claimed under such paragraph, that on or after April 1, 1954, such quantity of gasoline was sold to the ultimate consumer at a price which reflected the amount of the tax reduction.

"(3) PENALTY AND ADMINISTRATIVE PROCEDURES.—All provisions of law, including penalties, applicable in respect of the tax imposed under this section shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes."

SEC. 490. EFFECTIVE DATE OF PART VIII.

Except as otherwise expressly provided in this part, the amendments made by this part shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

Part IX—Miscellaneous Excise Tax Amendments**SEC. 491. REDUCTION OF TAX ON TELEGRAPH DISPATCHES.**

(a) **REDUCTION OF TAX.**—The table contained in section 1650 (relating to the war tax rates of certain miscellaneous taxes) is hereby amended by striking out the following:

"3465 (a) (1) (B) (insofar as it relates to domestic telegraph, cable, and radio dispatches).	Domestic Telegraph, Cable, or Radio Dispatches.	15 per centum	25 per centum."
---	---	---------------------	-----------------

(b) **EFFECTIVE DATE.**—Subject to the provisions of subsection (c), the amendments made by this section shall apply with respect to amounts paid on or after the rate reduction date (as defined in subsection (d)) for services rendered on or after such date.

(c) **AMOUNTS PAID PURSUANT TO BILLS RENDERED.**—The amendments made by this section shall not apply with respect to amounts paid pursuant to bills rendered prior to the rate reduction date. In the case of amounts paid pursuant to bills rendered on or after the rate reduction date for services for which no previous bill was rendered, the amendments made by this section shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date the provisions of sections 1650 and 3465 of the Internal Revenue Code in effect at the time such services were rendered shall be applicable to the amounts paid for such services.

(d) **RATE REDUCTION DATE.**—For the purposes of this section the term "rate reduction date" means the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 492. EXEMPTION OF CERTAIN OVERSEAS TELEPHONE CALLS FROM THE TAX ON TELEPHONE FACILITIES.

(a) **TELEPHONE CALLS FROM MEMBERS OF ARMED FORCES IN COMBAT ZONES.**—Section 3466 is amended by redesignating subsection (c) thereof as subsection "(d)" and by inserting after subsection (b) the following new subsection:

"(c) No tax shall be imposed under section 3465 (a) (1) (A) upon any payment received for any telephone or radio telephone message which originates within a combat zone, as defined in section 22 (b) (13), from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary may by regulations prescribe, is furnished to the person receiving such payment."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than 10 days after the date of enactment of this Act for telephone or radio telephone messages made on or after such date.

SEC. 493. EXEMPTION OF FISHING TRIPS FROM TAX ON TRANSPORTATION.

(a) **EXEMPTION.**—Section 3469 (b) (relating to exemption of certain trips from the tax of transportation of persons) is hereby amended by striking out "or to amounts" and inserting in lieu thereof "to amounts", and by inserting after the words "one month or less" the following "or to amounts paid for transportation by boat for the purpose of fishing from such boat".

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than 10 days after the date of the enactment of this Act for transportation on or after such first day.

Pub. Law 183

- 88 -

SEC. 494. TAX ON TRANSPORTATION OF PERSONS.

(a) **EXEMPTION OF CERTAIN FOREIGN TRAVEL.**—Section 3469 (a) of the Internal Revenue Code (relating to tax on transportation of persons) is hereby amended by striking out the third sentence and inserting in lieu of such sentence the following: "In the case of transportation by water on a vessel which makes one or more intermediate stops at ports within the United States, Canada, or Mexico on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere, no part of such transportation shall be considered for the purposes of the preceding sentence to be from any port within the United States, Canada, or Mexico to any other such port if the vessel in stopping at any such intermediate port is not authorized both to discharge and to take on passengers. A port or station within Newfoundland shall not, for the purposes of the preceding two sentences, be considered as a port or station within Canada."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act for transportation on or after such first day.

SEC. 495. TRANSPORTATION OF MATERIAL EXCAVATED IN THE COURSE OF CONSTRUCTION WORK.

(a) **AMENDMENT OF SECTION 3475.**—Section 3475 (relating to tax on transportation of property) is hereby amended by adding at the end thereof the following: "The tax imposed by this section shall not apply to the transportation of earth, rock, or other material excavated within the boundaries of, and in the course of, a construction project and transported to any place within, or adjacent to, the boundaries of such project." The determination as to the applicability of the tax imposed by section 3475 in the case of the transportation of any excavated material, other than transportation to which the amendment made by this subsection applies, shall be made as if this subsection had not been enacted and without inferences drawn from the fact that the amendment made by this subsection is not expressly applicable to the transportation of such other excavated material.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of enactment of this Act for transportation on or after such first day.

SEC. 496. ARTICLES FROM FOREIGN TRADE ZONES.

(a) **IMPORTED ARTICLES.**—Upon all articles specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code on which the internal revenue taxes imposed by law have been determined, pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to the effective date of the rates of tax imposed on such articles by this Act, and which on or after such effective date are brought from foreign trade zones into customs territory of the United States, there shall be levied, assessed, collected, and paid on such articles, in addition to the tax so determined, an additional tax at rates equal to the increases in rates of tax made applicable to such articles by this Act. The tax imposed by this subsection shall be collected, paid, and accounted for at the same time and in the same manner as tax on such article is collected, paid, and accounted for when brought from the foreign trade zone into the customs territory.

(b) **PREVIOUSLY TAXPAID ARTICLES.**—Upon all taxpaid articles specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code which have been taken into foreign trade

zones from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to the effective date of the rates of tax imposed on such articles by this Act, and which on or after such effective date are (without loss of identity) returned from foreign trade zones to customs territory of the United States, there shall be levied, assessed, collected, and paid on such articles an additional tax at rates equal to the increases in rates of tax made applicable to such articles by this Act. The tax imposed by this subsection on any article shall be collected, paid, and accounted for at the same time and in the same manner as if such article had been taken into the foreign trade zone free of tax.

SEC. 497. REFUNDS ON ARTICLES FROM FOREIGN TRADE ZONES.

(a) **IMPORTED ARTICLES.**—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code on which internal revenue tax at the applicable rate prescribed in such section has been determined pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, 1954, and which on or after such date is brought from a foreign trade zone into customs territory of the United States and the tax so determined thereon paid, there shall be credited or refunded (without interest) to the taxpayer, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, 1954, if claim for such credit or refund is filed with the Secretary within thirty days after payment of the tax.

(b) **PREVIOUSLY TAXPAID ARTICLES.**—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed in such section has been paid, and which was taken into a foreign trade zone from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, 1954, and which on or after such date is (without loss of identity) returned from a foreign trade zone to customs territory of the United States, there shall be credited or refunded (without interest) to the person so returning such article, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, 1954, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

SEC. 498. TAX REFUNDS ON SPIRITS LOST IN FLOODS OF 1951.

(a) **AUTHORIZATION.**—The Secretary of the Treasury is authorized and directed to make refund, or allow credit in the case of a distiller or rectifier if he so elects, in the amount of the internal-revenue tax and customs duties paid on spirits previously withdrawn, and lost, or rendered unmarketable, by reason of the floods of 1951 while such spirits were in the possession of (1) the person originally paying such tax or such tax and duty on such spirits, (2) a rectifier for rectification or for bottling, or which have been used in the process of rectification, under Government supervision as provided by law and regulations, or (3) a wholesale or retail liquor dealer, all hereafter referred to as the possessor or possessors. The refunds and credits authorized by this section may be made to (1) any of the possessors, except a retail liquor

Pub. Law 183

-90-

dealer, or (2) to any distiller, rectifier, importer, or wholesale liquor dealer who replaced for the possessor the full equivalent of the distilled spirits so destroyed or rendered unmarketable, without compensation, remuneration, payment, or credit of any kind in respect of the tax, or tax and duty on such distilled spirits. A claim for the amount of such tax, or such tax and duty, shall be filed with the Secretary of the Treasury within ninety days from the date of enactment of this Act. The claimant shall furnish proof to the Secretary's satisfaction that (1) the internal-revenue tax on such spirits, or the tax and duty if imported, was fully paid, (2) such spirits were lost, or rendered unmarketable, by reason of damage sustained as the result of the aforesaid flood conditions, (3) claimant was not indemnified by any valid claim of insurance or otherwise against loss of the tax (or tax and duty if imported) paid on the spirits, and (4) in those cases where applicable, that the claimant has replaced for the possessor the full equivalent of the distilled spirits so destroyed or rendered unmarketable, without compensation, remuneration, payment, or credit of any kind in respect of the tax, or tax and duty, on such distilled spirits.

(b) **DESTRUCTION OF SPIRITS.**—When the Secretary, pursuant to this section, makes refund, or allows credit, in the amount of the tax, or tax and duty, on spirits rendered unmarketable, such spirits shall be destroyed under the supervision of the Secretary.

(c) **CREDIT.**—Where credit is allowed to a distiller or rectifier for the internal-revenue tax previously paid as aforesaid, the Secretary is authorized and directed to provide for the issuance of stamps to cover the tax on spirits subsequently withdrawn or rectified to the extent of the credit so allowed.

(d) **REGULATIONS.**—The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section.

TITLE V—EXCESS PROFITS TAX

SEC. 501. MAXIMUM TAX FOR NEW CORPORATIONS.

Section 430 (relating to imposition of tax) is hereby amended as follows:

(1) By adding at the end of subsection (a) thereof, as amended by section 121 of this Act, the following:

“(3) in the case of a corporation for which an amount is determined for the taxable year under subsection (e), the amount determined under such subsection.”

(2) By redesignating subsection (e) as subsection (f); and

(3) By inserting after subsection (d) the following new subsection:

“(e) **NEW CORPORATIONS.**—

“(1) **ALTERNATIVE AMOUNT.**—In the case of a taxpayer which commenced business after July 1, 1945, and whose fifth taxable year ends after June 30, 1950, the amount referred to in subsection

(a) (3) shall be—

“(A) If the taxable year is the first or second taxable year of the taxpayer, an amount equal to 5 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds \$300,000, the amount shall be the sum of \$15,000 plus the amount determined under subparagraph (E) of this paragraph.

“(B) If the taxable year is the third taxable year of the taxpayer, an amount equal to 8 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds \$300,000, the amount shall

be the sum of \$24,000 plus the amount determined under subparagraph (E) of this paragraph.

"(C) If the taxable year is the fourth taxable year of the taxpayer, an amount equal to 11 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds \$300,000, the amount shall be the sum of \$33,000 plus the amount determined under subparagraph (E) of this paragraph.

"(D) If the taxable year is the fifth taxable year of the taxpayer, an amount equal to 14 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds \$300,000, the amount shall be the sum of \$42,000 plus the amount determined under subparagraph (E) of this paragraph.

"(E) The amount determined under this subparagraph shall be—

"(i) if the taxable year ends before April 1, 1951, an amount equal to 15 per centum of the excess of the excess profits net income for the taxable year over \$300,000.

"(ii) if the taxable year begins on January 1, 1951, and ends on December 31, 1951, an amount equal to 17½ per centum of the excess of the excess profits net income for the taxable year over \$300,000.

"(iii) if the taxable year (other than a taxable year described in clause (ii)) ends after March 31, 1951, an amount equal to 18 per centum of the excess of the excess profits net income for the taxable year over \$300,000.

"(2) FIRST FIVE TAXABLE YEARS.—For the purpose of this subsection—

"(A) The taxable year in which the taxpayer commenced business and the first, second, third, and fourth succeeding taxable years shall be considered its first, second, third, fourth, and fifth taxable years, respectively.

"(B) The taxpayer shall be considered to have been in existence and to have had taxable years for any period during which it or any corporation described in any clause of this subparagraph was in existence, and the taxpayer shall be considered to have commenced business on the earliest date on which it or any such corporation commenced business:

"(i) Any corporation which during or prior to the taxable year was a party with the taxpayer to a transaction described in section 445 (g) (2) (A), (B), or (C), determined as if the date 'July 1, 1945' were substituted for the date 'December 1, 1950' in section 445 (g) (2) (C).

"(ii) Any corporation if a group of not more than four persons who control the taxpayer at any time during the taxable year also controlled such corporation at any time during the period beginning twelve months preceding their acquisition of control of the taxpayer and ending with the close of the taxable year; but only if at any time during such period (and while such persons controlled such corporation) such corporation was engaged in a trade or business substantially similar to the trade or business of the taxpayer during the taxable year. For the purpose of this clause, the term 'control' means the ownership of more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock. A person shall not be considered a

member of the group referred to in this clause unless during the period referred to in this clause he owns stock in such corporation at a time when the members of the group control such corporation and he owns stock in the taxpayer at a time when the members of the group control the taxpayer. For the purpose of this clause, the ownership of stock shall be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) shall be determined only with respect to the individual's spouse and minor children.

"(iii) In case the taxpayer during or prior to the taxable year was a purchasing corporation (as defined in part IV); the selling corporation (as defined in such part) whose properties were acquired in the part IV transaction; but this clause shall not apply unless for the taxable year or for any preceding taxable year the conditions of paragraphs (1), (2), and (3) of section 474 (c) were satisfied with respect to such transaction.

"(iv) Any corporation which, under regulations prescribed by the Secretary, is determined by one or more additional applications of clauses (i) to (iii) to stand indirectly in the same relation to the taxpayer as though such corporation were described in any such clause.

If as of the beginning of December 1, 1950, the adjusted basis for determining gain upon sale or exchange of the aggregate assets theretofore acquired by the taxpayer in transactions described in clauses (i) and (iii) (or acquired in the ordinary course of business in replacement of such assets) and held by it at such time constituted less than 20 per centum of the adjusted basis for determining gain upon sale or exchange of its total assets held at such time, then transactions described in such clauses occurring prior to such date shall be disregarded in determining the date as of which the taxpayer shall be considered to have commenced business.

"(3) LIMITATION.—The provisions of paragraph (1) of this subsection shall not apply to a taxpayer which derives more than 50 per centum of its gross income (determined without regard to dividends and without regard to gains from sales or exchanges of capital assets) for the taxable year from contracts and subcontracts to which the provisions of title I of the Renegotiation Act of 1951 (or the provisions of any prior renegotiation act) are applicable."

SEC. 502. PAYMENTS FROM FOREIGN SOURCES FOR TECHNICAL ASSISTANCE, ETC.

(a) AMENDMENT OF SECTION 433 (a) (1).—Section 433 (a) (1) (relating to excess profits net income for taxable years ending after June 30, 1950) is hereby amended by adding at the end thereof the following new subparagraph:

"(R) Payments From Foreign Sources for Technical Assistance, Etc.—In the case of a domestic corporation which renders to a related foreign corporation technical assistance, engineering services, scientific assistance, or similar services (such services or assistance being related to the production or improvement of products of the type manufactured by such domestic corporation), there shall be excluded the remuneration for such services or assistance if such remuneration constitutes income derived from sources without the United

States. Any deductions in connection with or properly allocable to the rendering of such services or assistance shall not be allowed. For the purpose of this subparagraph, a foreign corporation shall be considered to be a 'related foreign corporation' if the domestic corporation at the time it renders such services or assistance owns 10 per centum or more of the outstanding stock of such foreign corporation."

(b) AMENDMENT OF SECTION 433 (b).—Section 433 (b) (relating to taxable years in base period) is hereby amended by adding at the end thereof the following new paragraph:

"(16) PAYMENTS FROM FOREIGN SOURCES FOR TECHNICAL ASSISTANCE, ETC.—In the case of a domestic corporation which rendered to a related foreign corporation technical assistance, engineering services, scientific assistance, or similar services (such services or assistance being related to the production or improvement of products of the type manufactured by such domestic corporation), there shall be excluded the remuneration for such services or assistance if such remuneration constituted income derived from sources without the United States. Any deductions in connection with or properly allocable to the rendering of such services or assistance shall not be allowed. For the purpose of this paragraph, a foreign corporation shall be considered to be a 'related foreign corporation' if the domestic corporation at the time it rendered such services or assistance owned 10 per centum or more of the outstanding stock of such foreign corporation."

SEC. 503. AVERAGE BASE PERIOD NET INCOME IN CASE OF CERTAIN FISCAL YEAR TAXPAYERS.

Section 435 (d) (relating to the general average method for the computation of average base period net income) is hereby amended by adding at the end thereof the following: "For the purpose of the computations under this subsection in the case of a taxpayer whose first taxable year under this subchapter is a taxable year which either began before January 1, 1950, or was preceded by a taxable year beginning before January 1, 1950, and ending after March 31, 1950, there shall be substituted for the base period of the taxpayer the period of 48 consecutive months ending March 31, 1950, if such substitution produces a lesser tax under this subchapter for the taxable year for which the tax is being computed. In computing the average base period net income for such substituted period, the excess profits net income for January, February, and March of 1950 shall be computed by use of the 'weighted excess profits net income', as defined in section 435 (e) (2) (E), for the taxable year in which such months fall."

SEC. 504. AVERAGE BASE PERIOD NET INCOME—ALTERNATIVE BASED ON GROWTH IN CASE OF NEW CORPORATIONS.

(a) GENERAL RULE.—Section 435 (e) (1) (relating to the alternative based on growth) is hereby amended by striking out the phrase "the beginning of its base period" and inserting in lieu thereof the following: "the end of its base period."

(b) AMENDMENT OF PART II.—Section 462 (c) (relating to the use by an acquiring corporation in a Part II transaction of an alternative average base period net income based on growth) is hereby amended as follows:

(1) By amending paragraph (1) thereof to read as follows:

"(1) In the case of a transaction described in section 461 (a), other than a transaction described in section 461 (a) (1) (E),—

"(A) The acquiring corporation shall not be denied the right to determine whether it is eligible for the benefits of section 435 (e) without reference to the recomputation of its

excess profits net income provided for in section 462 (b) where the transaction occurred on or after July 1, 1950, but it shall be denied such right where the transaction occurred prior to July 1, 1950.

"(B) Where, immediately prior to the date of the transaction, the acquiring corporation and all the component corporations (other than a corporation created incident to such transaction) met the requirements of section 435 (e) (1) (A) (i), and, in case the transaction occurred on or after July 1, 1950, had commenced business prior to the beginning of its base period (determined without reference to section 461 (d)), the acquiring corporation shall be entitled to compute its average base period net income under section 435 (e) with reference to the recomputation of its excess profits net income provided for in section 462 (b) if the tests of section 435 (e) are satisfied. For that purpose, the acquiring corporation shall combine with its total payroll and its total gross receipts for that portion of its base period which preceded such transaction the total payroll and total gross receipts of such component corporations for that portion of such period and it shall combine with its net sales for that portion of the period prior to January 1, 1951, which preceded such transaction the net sales of such component corporations for that portion of such period. The allocation of payroll and gross receipts amounts of a component corporation to any such portion of such period shall be made in accordance with the rules provided in section 435 (e) (4) and (5). For purposes of qualifying under section 435 (e) (1) (A) (i) (relating to total assets of the taxpayer), such acquiring corporation shall combine its total assets on the date specified in section 435 (e) (1) (A) (i) with the total assets of each component corporation on such date. The Secretary shall prescribe by regulations such rules as may be necessary to insure that such combined total gross receipts do not reflect a duplication for purposes of this section.

"(C) Where, immediately prior to the date of the transaction, either the acquiring corporation or one or more component corporations (other than a corporation created incident to such transaction) did not meet the requirements of section 435 (e) (1) (A) (i), or, in case the transaction occurred on or after July 1, 1950, had not commenced business prior to the beginning of its base period (determined without reference to section 461 (d)), the acquiring corporation shall not be entitled to compute its average base period net income under section 435 (e) with reference to the recomputation of its excess profits net income provided for in section 462 (b). In any such case, where the transaction occurred on or after July 1, 1950, the monthly excess profits net income of the corporation entitled to the benefits of section 435 (e) for any month of the acquiring corporation's base period shall be, for purposes of the recomputation provided for in section 462 (b), one-twelfth of the average base period net income to which such corporation was entitled under section 435 (e), and such monthly excess profits net income shall be in lieu of the monthly excess profits net income determined under paragraphs (1) and (2) of section 462 (b)."

(2) By striking from the second sentence of paragraph (2) thereof the words: "had commenced business prior to the begin-

ning of its base period (determined without reference to section 461 (d)) and".

(3) By striking from paragraph (3) thereof the words "which had commenced business prior to the beginning of its base period" and by inserting in lieu thereof the following: "which had commenced business prior to the end of its base period".

SEC. 505. AVERAGE BASE PERIOD NET INCOME—ALTERNATIVE BASED ON GROWTH.

Section 435 (e) (2) (G) (relating to the alternative based on growth) is hereby amended by striking out the word "only".

SEC. 506. ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.

(a) **AMENDMENT OF SECTION 435 (g).**—Section 435 (g) (relating to net capital addition or reduction) is hereby amended by redesignating paragraph (8) as paragraph (11) and by adding after paragraph (7) the following new paragraph:

"(8) **ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.**—In the case of a bank (as defined in section 104)—

"(A) If the increase in total assets for the taxable year exceeds the net capital addition computed without regard to the adjustment under paragraph (1) for an increase in inadmissible assets, then the net capital addition for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (1) over

"(ii) an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the increase in total assets for the taxable year.

"(B) If the decrease in total assets for the taxable year exceeds the net capital reduction computed without regard to the adjustment under paragraph (2) for a decrease in inadmissible assets, then the net capital reduction for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (2) over

"(ii) an amount which bears the same ratio to the decrease in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the decrease in total assets for the taxable year.

For the purpose of this paragraph, the increase or decrease in total assets for the taxable year shall be computed in the same manner as the increase or decrease in inadmissible assets for the taxable year is computed under paragraph (5), except that such computations shall be made with respect to all assets, whether admissible or inadmissible assets as defined in section 440."

(b) **AMENDMENT OF SECTION 438.**—Section 438 (relating to new capital credit changes) is hereby amended by adding after subsection (f) the following new subsection:

"(g) **ADJUSTMENTS FOR INADMISSIBLE ASSETS IN CASE OF BANKS.**—In the case of a bank (as defined in section 104), if the increase in total assets for the taxable year (determined in the manner provided in the last sentence of section 435 (g) (8)) exceeds the net new capital addition computed without regard to the adjustment under subsection (b)

for an increase in inadmissible assets, then the net new capital addition for the taxable year shall not be less than the excess of the amount determined under the first sentence of subsection (b) over an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under section 435 (g) (5), as the amount computed under such first sentence bears to such increase in total assets for the taxable year."

(c) AMENDMENT OF SECTION 435 (f).—Section 435 (f) (relating to capital additions in base period) is hereby amended as follows:

(1) By inserting immediately after the word "reduced" in paragraph (1) thereof the following: "(but not below zero)".

(2) By adding at the end of paragraph (1) thereof the following:

"For special rule in the case of banks, see paragraph (6)."

(3) By renumbering paragraph (6) as paragraph (7), and by adding immediately after paragraph (5) the following new paragraph:

"(6) YEARLY BASE PERIOD CAPITAL OF BANKS.—In the case of a bank (as defined in section 104), the yearly base period capital for any taxable year shall be determined as follows:

"(A) A tentative yearly base period capital shall be computed under paragraph (1) without regard to paragraph (1) (A).

"(B) The tentative yearly base period capital so determined shall be reduced by the amount determined under section 440 (b) (relating to inadmissible assets). For the purpose of this subparagraph, the computation under section 440 (b) shall include only the daily amounts (described in such section) for the first day of such taxable year."

(d) EFFECTIVE DATE OF SUBSECTION (c) (3).—The amendment made by subsection (c) (3) (adding a new paragraph (6) to section 435 (f)) shall be applicable with respect to taxable years beginning on or after the date of the enactment of this Act, and, at the election of the taxpayer made in accordance with regulations prescribed by the Secretary, shall be applicable to all taxable years ending after June 30, 1950.

SEC. 507. DECREASE IN INADMISSIBLE ASSETS.

Section 435 (g) (relating to net capital addition or reduction) is hereby amended as follows:

(a) By adding at the end of paragraph (1) thereof the following: "For further adjustment with respect to the amount determined under the preceding provisions of this paragraph, see paragraph (9)."

(b) By adding immediately after paragraph (8), as added by section 506 of this Act, the following new paragraphs:

"(9) DECREASE IN INADMISSIBLE ASSETS.—

"(A) Except as otherwise provided in subparagraph (B) (relating to banks), the excess of the amount computed under paragraph (2) (A) or (B), whichever is applicable to the taxpayer (whether or not any amount is determined under the first sentence of paragraph (2)), over the amount, if any, computed under the first sentence of paragraph (2) shall be considered the net capital addition for the taxable year or shall be added to the net capital addition otherwise determined under paragraph (1), as the case may be. The amount of the excess so determined shall be subject to the exceptions and limitations provided in paragraph (10).